

S.S.B. Enterprises

June 05, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	44.22 (Enhanced from 38.97)	CARE BB+; Stable	Rating removed from ISSUER NOT COOPERATING category and Revised from CARE BB; Stable;
Long Term / Short Term Bank Facilities	8.75 (Enhanced from 6.00)	CARE BB+; Stable / CARE A4+	Rating removed from ISSUER NOT COOPERATING category and Revised from CARE BB; Stable;

Details of instruments/facilities in Annexure-1.

The ratings previously assigned to the bank facilities of S.S.B. Enterprises (SSB) were denoted as CARE BB; Stable; ISSUER NOT COOPERATING; Since, the firm did not provide the requisite information for monitoring the ratings. Further, in line with the extant SEBI guidelines, CARE Ratings Ltd. had reviewed the ratings on the basis of the best available information. However, the firm has now submitted the requisite information to monitor the ratings and CARE Ratings Ltd. has carried out a full review of the ratings and the ratings stands at 'CARE BB+; Stable/ CARE A4+'.

Rationale and key rating drivers:

The ratings assigned to the bank facilities of SSB remain constrained on account of modest scale of operations, average financial profile marked by moderate capital structure & debt coverage indicators. The ratings also factor in stretched liquidity position on account of high debt repayments going forward coupled with competitive nature of industry. The ratings are also constrained by project execution risk and risk associated with constitution of the entity being proprietorship. The ratings, however, consider & derive strength from the resourceful promoters, management-cum-marketing tie-up with recognised brands such as ITC and strategic location of the hotel properties of the firm.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Scaling up of operations, with operating income growing to more than Rs. 100 crores coupled PBILDT margin around 20% on sustained basis.
- Improvement in capital structure as reflected by total debt/Gross cash accruals of below 3.50 times on sustained basis.

Negative factors

- Decline in total operating income below Rs. 40 crores & PBILDT margins below 8% on a sustained basis.
- Deterioration in the capital structure as marked by overall gearing ratio of above 1.25x on sustained basis.
- Cost or time overrun in execution of the project leading to deteriorate the liquidity position of the firm.

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects that the firm is likely to maintain its operational & financial risk profile over the medium term.

Detailed description of the key rating drivers:

Key weaknesses

Modest scale of operations albeit improving profitability margins:

Firm has reported total operating income (TOI) of 40.50 crore during FY24 (refers to the period April 01 to March 31) which moderated by around 21 percent from TOI of Rs. 48.76 crore during FY23. Moderation in TOI is majorly on account of shifting focus towards hotel business as against major portion of trading revenue earlier & discontinuation of fixed rental income from the Punjab Government. Although, the firm is generating some amount of revenue from logistic & general trading segment also. Firm has achieved profits before interest, lease rentals, depreciation and taxation (PBILDT) margin of ~14% vis-à-vis margin of ~7% reported during last year. Trading business was yielding lower profitability; Since, now the firm is increasing focus on the hotel business which is yielding higher profits.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Average financial profile:

The capital structure of SSB remains moderate marked by overall gearing of 0.32x as on March 31, 2024, improved from 0.58x during FY23 on account of increase in capital base due to increase in reserves with profits on sale of land. The total debt of the firm comprises of term loans & vehicle loans of Rs. 10.92 crores, unsecured loan from related parties of Rs. 3.00 crores and minimal utilisation of working capital borrowings outstanding at Rs. 0.35 crores.

However, in FY25, with the commencement of construction of the one more hotel in Amritsar, the firm would be availing term loan of Rs. 34 crores which would further moderate the financial risk profile of the firm.

The debt coverage indicators marked by Total debt/Gross Cash accruals (GCA) & Total debt/PBILDIT remains moderate at 3.79 times and 2.57 times respectively during FY24. Further, interest coverage ratio of the firm is also moderate at 3.11x during FY24.

Project Execution risk

Firm is executing a four star hotel project located in the immediate proximity of Golden Temple, just outside on the entrance wall of the old city of Amritsar. The total project cost is Rs.47.80 crore out of which promoters' contribution is Rs.13.80 crore and bank loan (proposed) is Rs.34 crore. (Debt: Equity of 71:29). The proposal for sanction of fresh term loan of Rs. 34.00 crore is currently under process. The project is currently at nascent stage, and a sum of Rs. 3.50 crore has been incurred as land cost. This hotel is likely to be completed by FY26.

Earlier, this hotel project was proposed to have 65-70 rooms with total expected project cost of Rs. 40 crores. However, during the advanced planning stage, the firm was get in touch with some renowned name for management of hotel and the scope of the hotel project was increased from earlier planned 65-70 rooms to 114 rooms. Resulted in project completion time overrun of one year from FY25 to FY26 & increasing project cost from Rs. 40 crores to Rs. 47.80 crores.

Now, timely completion and stabilisation of the hotel project under the revised estimated time & cost would remain key monitorable going forward.

Presence in a highly fragmented and competitive industry:

The Indian hospitality industry is highly fragmented in nature with the presence of large number of organized and unorganized players spread across various regions. Cyclical nature of the hotel industry and increasing competition from already established and upcoming hotels due to low entry barriers may impact the performance of SSB. Though, the demand for hotel rooms is expected to steadily grow in the medium term on account of anticipated increase in commercial and tourism activity and growth of the economy, however, presence of other luxury hotels in the vicinity can exert pressure on occupancy and average room rent of the hotel in the medium-term. However, the firm is generating revenue from diversified business, thus, this risk is partially mitigated to a great extent.

Constitution of the entity:

SSB's constitution being a proprietorship firm has the inherent risk of possibility of withdrawal of the proprietor's capital at the time of personal contingency and firm being dissolved upon the death/retirement of proprietor. Moreover, proprietorship firms have restricted access to external borrowing as credit worthiness of proprietor would be key factors affecting credit decision for lenders.

Key strengths**Experienced and resourceful promoter:**

SSB is a proprietorship form of Mr. Rajan Bedi, rich experience of Mr. Rajan Bedi gained during last 2 decades provides a competitive edge to the firm. Promoter is further supported by well versed management team which looks after the day-to-day operations of the firm comprising of qualified and experienced individual from the industry. Besides, promoter is resourceful and has shown ability to infuse funds in the business as and when required in the form of unsecured loans having outstanding subordinated unsecured loans of Rs. 14 crores & unsecured loans of Rs. 3.00 crores in the firm. Further, unencumbered cash & bank balance of the firm stands at around 2.6 crores as on March 31, 2024.

Operational and management tie-up with renowned brands:

The firm has entered in to tie up with Regenta for two of the existing hotels & with ITC Hotels for the third hotel. Operating and managing these hotels under these established brand names reduces the management and marketing risk to a great extent. Further, the firm is under discussion with some renowned names for management of the proposed hotel also.

Strategic location of the hotels:

Amritsar with its rich history of cultural heritage has immense potential to grow as a major tourist destination of the region. Amritsar city is famous as a religious Center due to the presence of Golden temple, Durgiana temple and many other gurdwaras/temples/mosques, which makes it a Center for religious tourism. Two of the existing three hotels along with the

proposed hotel are located in the immediate proximity of Golden Temple that gives a strategic edge to the firm in terms of location.

Liquidity: Stretched

The liquidity profile of the firm is stretched marked by tightly matched cash accruals against scheduled debt repayments. The firm has a total debt repayment obligation of Rs. 2.20 crores for FY25, as against projected Gross Cash accruals (GCA) of Rs. 3.03 crores. However, going forward repayment obligations will increase on account of repayment for proposed debt for hotel project. Further, debtors more than six months of the firm stands at Rs. 5.79 crores as on March 31, 2024. Although, working capital utilisation remains moderate low over the last 12 months ending April 2024 at around 50%.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Hotels & Resorts](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

About the firm and industry:

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Consumer Services	Leisure Services	Hotels & Resorts

Incorporated in Year 1999, S.S.B. Enterprises is a proprietorship firm of Mr. Rajan Bedi. Initially, the firm was engaged majorly in trading of agricultural commodities such as gypsum, sugar, wheat etc. Subsequently, FY17 onwards firm started focusing on the hotel business. Currently, the firm has three below hotels operating at Amritsar Punjab and a four star hotel of the is in process of establishment in the immediate proximity of Golden Temple.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (UA)
Total operating income	28.90	48.76	40.50
PBILDT	2.21	3.27	5.57
PAT	0.82	2.24	2.92
Overall gearing (times)	0.52	0.58	0.32
Interest coverage (times)	2.34	2.36	3.11

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	March 2037	44.22	CARE BB+; Stable
Fund-based - LT/ ST-Working Capital Limits	-	-	-	-	8.75	CARE BB+; Stable / CARE A4+

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/ Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	44.22	CARE BB+; Stable	-	1)CARE BB; Stable; ISSUER NOT COOPERATING* (15-Mar-24) 2)CARE BB+; Stable (26-Apr-23)	-	-
2	Fund-based - LT/ ST-Working Capital Limits	LT/ST	8.75	CARE BB+; Stable / CARE A4+	-	1)CARE BB; Stable; ISSUER NOT COOPERATING* (15-Mar-24) 2)CARE BB+; Stable (26-Apr-23)	-	-

*Issuer did not cooperate; based on best available information.

LT: Long term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT/ ST-Working Capital Limits	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Annexure-6: List of all the entities consolidated: Not applicable

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

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